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PAGE 01 STATE 231762

21

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C O N F I D E N T I A L STATE 231762

SAN JOSE FOR ASST SECY SHLAUDEMAM

E.O. 11652: GDS

TAGS: PFOR PN

SUBJECT: PROBLEMS IN U.S.-PANAMANIAN RELATIONS

1. PANAMA IS UNDERGOING DOMESTIC POLITICAL AND ECONOMIC PROBLEMS. GOP IS BEING TROUBLESOME AS A RESULT OF THESE PROBLEMS AND THE ABSENCE OF ANY AGREEMENT TO RESUME TREATY TALKS. ANTI-GOVERNMENT DEMONSTRATIONS BY STUDENTS, ONE OF THE KEY DOMESTIC ELEMENTS SUPPORTING TORRIJOS, STARTED ON SEPTEMBER 10. A PROTEST OVER THE ANNIVERSARY OF THE FALL OF ALLENDE GOVERNMENT VERY QUICKLY BECAME A DOMESTIC ECONOMIC/POLITICAL PROTEST. THE DEMONSTRATIONS ENDED ONLY AFTER THE GOP CLOSED THE SECONDARY SCHOOLS AND BANNED DEMONSTRATIONS ON SEPTEMBER 15 AND FOLLOWED UP WITH A SHOW
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 STATE 231762

OF POLICE FORCE THE NEXT MORNING.

2. PANAMA IS CALM FOR THE MOMENT BUT THE DEMONSTRATIONS MARK FIRST TIME IN EIGHT YEARS THAT THERE HAS BEEN A CRACK IN SOLID SUPPORT FROM STUDENTS, LABOR AND RURAL PEOPLE. SCHOOLS ARE SCHEDULED TO REOPEN SEPTEMBER 20 AND POSSIBILITY REMAINS OF ANTI-US INCIDENTS. SOUTHCOM AND PAN CANAL HAVE PLACED RESTRICTIONS ON PERSONNEL MOVEMENTS.

3. COINCIDENTALLY EFFORTS BY GOP TO PROD U.S. INTO RESUMING NEGOTIATIONS HAVE ESCALATED DURING PAST WEEK. TORRIJOS HAS USED DELAY IN RESUMPTION OF NEGOTIATIONS AND ALLEGED PARTICIPATION OF US CITIZENS IN RECENT DEMONSTRATIONS AS MEANS OF APPLYING PRESSURE AND RESTORING POLITICAL SUPPORT. HE HAS LITTLE FLEXIBILITY, PARTICULARLY IN FISCAL AND ECONOMIC AREAS, TO PLEASE GROUPS SUCH AS BUSINESS AND RICE GROWERS WITHOUT ALIENATING OTHERS. IN THIS SITUATION, THE U.S. IS A HANDY AND PLAUSIBLE SCAPEGOAT.

4. GOP EFFORTS TO PROD U.S. ON NEGOTIATIONS HAVE TAKEN TWO FORMS.

5. FIRST ON THE NEGOTIATIONS, FOREIGN MINISTER BOYD AND AMBASSADOR GONZALES REVILLA HAVE GONE PUBLIC WITH CHARGES THAT THE U.S. IS DELAYING THE NEGOTIATIONS BECAUSE OF OUR DOMESTIC POLITICAL CAMPAIGN. PANAMA HAS PROVIDED DAVID BINDER OF THE NEW YORK TIMES WITH A SO-CALLED "FLIP FLOP" CHRONOLOGY INTENDED TO SHOW HOW THE ADMINISTRATION HAS RENIGED ON RESUMING THE NEGOTIATIONS. OTHER REPORTERS HAVE ALSO BEEN CONTACTED. THESE ACTS ARE AN INTERVENTION BY PANAMA INTO OUR DOMESTIC POLITICAL AFFAIRS AND REPRESENT A BREACH BY PANAMA OF THE CONFIDENTIALITY OF THE NEGOTIATIONS. THE BINDER STORY AND PERHAPS OTHERS WITH THE "FLIP FLOP" THEME WILL PROBABLY COME OUT IN THE NEXT DAY OR SO.

6. SECOND, PANAMA RELEASED ON SEPTEMBER 17 A QUOTE DETAILED OFFICIAL REPORT UNQUOTE ANNOUNCING DISCOVERY OF A PLAN TO "DESTABILIZE" GOP. REPORT ALLEGES INVOLVEMENT IN THE CONSPIRACY AND DEMONSTRATIONS BY SOME CONFIDENTIAL

CONFIDENTIAL

PAGE 03 STATE 231762

RESIDENTS OF THE CANAL ZONE, U.S. SOLDIERS AND MEMBERS OF THE PANAMANIAN OLIGARCHY. GOP FOLLOWED UP BY HAVING CHARGE DELIVER VERBAL MESSAGE IN WASHINGTON AND FOREIGN MINISTER BOYD CALLING IN AMBASSADOR JORDAN TO PRESENT FORMAL NOTE IN PANAMA. EMBASSY, PAN CANAL, AND DEPARTMENT HAVE STRONGLY DENIED ALLEGATIONS. DEPARTMENT AND EMBASSY HAVE PROTESTED GOP'S ACTS AND WARNED THAT THEY COULD LEAD TO A SERIOUS DETERIORATION IN OUR RELATIONS AND IN THE

ATMOSPHERE FOR THE NEGOTIATIONS.

7. REGARDING REPORTED ARRESTS OF U.S. CITIZENS FOR ALLEGEDLY PARTICIPATING IN THE DEMONSTRATIONS, IT NOW APPEARS THAT ONLY ONE U.S. CITIZEN, AN ARMY PFC WHO IS A FINANCE CLERK, WAS ARRESTED. TWO OTHERS NAMED IN THE PANAMANIAN NOTE TO OUR EMBASSY ARE PANAMANIAN CITIZENS -- ONE EMPLOYED AT A PX FACILITY IN THE ZONE AND THE

OTHER A STEP-SON OF A PANAMA CANAL COMPANY EMPLOYEE. THE STEP-SON IS NO LONGER RESIDENT IN THE ZONE AND HAS NO DIRECT AFFILIATION WITH THE ZONE OR THE U.S. IN SHORT, THE CHARGES THAT THE UNITED STATES WAS USING THESE INDIVIDUALS TO DESTABILIZE PANAMA ARE LUDICROUS. THE FEW OTHER AMERICAN MILITARY PERSONNEL ARRESTED RECENTLY BY PANAMA FACE CHARGES TOTALLY UNRELATED TO THE DISTURBANCES AND THEY WERE NOT MENTIONED IN ANY OF THE PANAMANIAN CHARGES.

8. SO THAT YOU WILL BE ABLE TO RESPOND TO INQUIRIES ON THE SITUATION IN PANAMA, WE ARE SENDING BY SEPTELS (1) A BRIEF CHRONOLOGY OF RECENT EVENTS (2) RESPONSES PROVIDED BINDER, (3) EMBASSY'S PRESS RELEASE RE ALLEGATIONS AND (4) AMBASSADOR JORDAN'S REPORT ON HIS MEETING WITH FOREIGN MINISTER BOYD. ROBINSON

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